

SUBCOMMITTEE NO. 4

Agenda

Senator Mike Machado, Chair
Senator Bob Dutton
Senator Christine Kehoe



**Monday, May 21, 2007
11:00 a.m.
Room 2040**

Consultants: Daniel Alvarez

“A” AGENDA

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Vote-Only Budget Items - Approve

ITEM	ISSUE	DESCRIPTION
0110 -- Senate	The budget for the Legislature needs to be updated to reflect the latest State Appropriations Limit information.	Adopt technical budget adjustments to reduce, in this item, schedule (1) by \$74,000, schedule (3) by \$19,000, schedule (4) by \$1,195,000. These changes should be consistent with actions taken by the Assembly.
0120 -- Assembly	The budget for the Legislature needs to be updated to reflect the latest State Appropriations Limit information.	Adopt technical budget adjustment to reduce schedule (4) of this item by \$1,748,000. These changes should be consistent with actions taken by the Assembly.
0130 -- Office of the Legislative Analyst	Technical adjustments to reflect changes in Items 0110 and 0120	Adopt technical budget adjustments to decrease schedule (1) by \$84,000, and change schedules (2) and (3) from -3,642,000 to -3,600,000. These changes should be consistent with actions taken by the Assembly.
0160 -- For Support of Legislative Counsel	Approve Governor's budget.	The Governor's Budget includes \$87,148,000 for support of Legislative Counsel.
0690 -- Office of Emergency Services	May Revise -- Federal funds for Anti-Gang Programs	The Office of Emergency Services requests an increase in Federal Trust Fund Authority of \$4,849,000 (\$242,000 State Operations and \$4,607,000 Local Assistance). These grant funds are part of a federal anti-gang initiative established by the U.S.

		Attorney General and have identified specific areas of the state that will receive these funds.
8860-001-001 – Department of Finance	Public Employee Post-Employment Benefits Commission	The DOF requests an increase of \$654,000 to provide funding for support of the Public Employee Post-Employment Benefits Commission (Commission). Pursuant to Executive Order S-25-06, the Commission was established to propose options for addressing growing pension and retiree health care obligations. The Commission will identify the extent of unfunded liabilities, review and analyze options for addressing them, and recommend a plan to the Legislature and Governor by January 1, 2008. The Department of Finance is designated as the Commission's coordinating agency. It is also requested that provisional language be added to revert the unencumbered balance to the General Fund

8860 – Department of Finance	Technical adjustments to salaries and wages.	The administration submitted a Spring Finance letter requesting an increase of \$613,000 for technical adjustments to salaries and wages, and to adjust programmatic scheduling. [Note: approval is for all non-FI\$Cal adjustments; this will insure conformity of subcommittee action of April 11 on the FI\$Cal Project.]
Control Section 13.00 – Legislative Counsel Bureau	Approve Governor's Budget.	Allows for the operation of LCB.
Trailer bill language related to state penalty assessment surcharge which is set at 20%.	At present, the surcharge is scheduled to expire July 1, 2007.	<p>The January Budget proposed to permanently establish the surcharge by eliminating the sunset date. Staff recommends adoption of this proposal.</p> <p>[Note: This is not the May Revision proposal by the administration to (1) increase the surcharge to 40% and (2) transfer, from the counties, to the courts, the responsibility of collecting fines, fees, and penalties.]</p>

0690 Office of Emergency Services

Discussion Issues

1. **California Port Security Grant Program (May Revise letter).** The administration requests \$76,105,000 (\$1.1 million state operations and \$75 million local assistance) from the California Ports Infrastructure, Security, and Air Quality Improvement Account (Proposition 1B) to establish the California Port Security Grant Program (CPSGP). The GPSGP would provide grants to assist ports in preparing for, responding to, and protecting against acts of terrorism.

According to the Office of Homeland Security, the grant program would aid the implementation of security strategies developed by the three Area Maritime Security Committees and the California Maritime Security Council. In addition to capital projects to enhance security, there is an array of eligible activities (consistent with Proposition 1B), including:

- A. Video surveillance equipment.
- B. Explosives detection technology, including, but not limited to, X-ray devices.
- C. Cargo scanners.
- D. Radiation monitors.
- E. Thermal protective equipment.
- F. Site identification instruments capable of providing a fingerprint for a broad inventory of chemical agents.
- G. Other devices capable of detecting weapons of mass destruction using chemical, biological, or other similar substances.
- H. Other security equipment to assist in any of the following:
 - Screening of incoming vessels, trucks, and incoming or outbound cargo.
 - Monitoring the physical perimeters of harbors, ports, and ferry terminals.
 - Providing or augmenting onsite emergency response capability.
- I. Overweight cargo detection equipment, including, but not limited to, intermodal crane scales and truck weight scales.
- J. Developing disaster preparedness or emergency response plans.

The administration proposes that only the following applicants would be eligible to apply for the CPSGP funding:

- Port of Hueneme
- Humboldt Bay Harbor District
- Port of Long Beach
- Port of Los Angeles
- Port of Oakland
- Port of Redwood City
- Port of Richmond
- Port of San Diego
- Port of San Francisco
- Port of Sacramento
- Port of Stockton

The OHS will issue grant guidelines establishing criteria based on the National Strategy for Maritime Security, the California State Homeland Security Strategy, and the Investment Justification for Port Security submitted to the US-DHS.

The grant process will have a peer review process to determine eligible applications with the most impact on port security across the State. The Peer Review Panel (PRP) will be comprised of security directors from the 11 eligible ports, or their designees, (provided all ports elect to participate in the CPSGP). The PRP will have multiple functions including: project nomination, project review, and recommendation on allocations to OHS. OHS will retain the final approval for all projects related to the CPSGP.

The funding for this program shall require a 25% match from eligible recipients. Federal preparedness grants, operations, and maintenance costs resulting from capital improvements or equipment, private contributions, among other funding sources, may be utilized to satisfy this requirement.

OHS will be accountable for these funds by reporting to the Governor and Legislature on March 1 of each year on the nature and status of actual grant fund awards and expenditures by the port authorities. After all of the grant funds have been expended, OHS shall issue a final report to the Governor and Legislature that assesses the impact of the grant program on improvement of overall port security in the state.

LAO Recommendation. The LAO recommends, in general, approval of this proposal; however, they point out a few concerns related to the proposed trailer bill language: (1) the local match requirement is open-ended by allowing the counting of operating costs – LAO recommends the match be tied to project costs; and (2) rather than guaranteeing grant amounts through a formula, applications should be reviewed on a competitive basis.

Staff Comments. Broadly speaking the goals and eligible activities that would be funded under this proposal are consistent with Proposition 1B. However, a few concerns still need to be addressed:

- This proposal narrowly focuses only on port security. As passed by the voters in November 2006, grant allocations were specified for port, harbor, and ferry terminal security improvements. Eligible applicants were also to include ferryboat and ferry terminal operators – the proposal by OHS does not include either entity.
- Accompanying trailer bill language contains many incorrect cross-references and drafting errors.
- Is it wise to expend nearly three-fourths (\$75 million out of \$100 million) of available bond funds in 2007-08? Would an accelerated appropriation of these funds possibly deter future federal funding opportunities – thereby minimizing the state's ability to leverage its limited bond capacity in this area?

Staff Recommendations:

1. Since this program is new, lower the amount appropriated to \$40 million in 2007-08. This would provide the Legislature the opportunity to review the program's operations and make necessary changes prior to committing additional funds in the future.
2. Reject the administration's proposed trailer bill language (TBL) and adopt placeholder TBL that minimally (1) is consistent with language in Proposition 1B regarding eligible applicants for grants, (2) that addresses the state's most urgent security needs, and (3) balances the demands for funding between large and small ports.

8860 Department of Finance

The Department of Finance was heard by the Subcommittee on April 11. Two issues were left open and a May Finance Letter was submitted by the Department (the May Finance letter is recommended for approval, as modified, on the vote-only list).

Discussion Issues

- 1. Department of Finance Staff Compensation.** The DOF requests \$1.5 million (\$1.2 million General Fund, \$121,000 Special Funds, and \$165,000 reimbursements) to fund a 15 percent increase in compensation for staff in Budgets and a 10 percent increase in compensation for staff in the Office of State Audits and Evaluations and the Fiscal Systems Consulting Unit. The salary increases and the amount subject to retirement would be phased-in over three years. DOF indicates it has experienced significant problems in retaining key personnel in the areas of budget, audits, and accounting.

Staff Comments. It is clear that the retention and recruitment of staff at DOF is critical to insure that both the Governor and Legislature are able to do their jobs related to the operation and oversight of state government. Staff concurs that given the critical nature of work at DOF they cannot afford to lose staff at rates that have occurred in the past few years.

Staff Recommendation. Approve the proposal.

- 2. Staff Counsel III (Specialist) Position to Support the Governor's Strategic Growth Plan.** The DOF requests the addition of one Staff Counsel III (Specialist) position and \$139,000 reimbursement authority to provide legal advice for the increased workload and to assist in the workload generated from currently authorized financings.

Staff Comments. Since the time of the April 11 hearing, DOF has provided additional workload information consistent with the need for an additional staff counsel.

Staff Recommendation. Approve the proposal.